



Long-Term Health Care Expenditures – How to Project Them & Determine Where LTC Insurance Fits in This Puzzle

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AICPA Personal Financial Planning
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Session Outline

- Projecting Health Care Expenses
- Projecting LTC Expenses
- Role of LTC Insurance
- Q & A

The Health Care Puzzle

■ *Fitting Pieces Together:*

- Patient Preferences
- Caregivers Preferences
- Availability of Care
- Payment Sources
- Rules and Regulations





Health Care Market Forces

- ↑ Chronic illness incidence
- ↑ Average life expectancy
- ↑ More complicated care at home
- ↑ Demands on family caregivers
- ↓ Supply of Nurses
- ↑ Pressure on health care dollars



Questions for Financial Planners:

- What number do you use when projecting health care expenses over the course of your clients lives?
- How are you building your clients' health care budgets?



Questions for Financial Planners:

- What portion of those expenses are “Long-Term Care” expenses?
- How will it all be covered?



“Long-Term care planning is not necessarily the same as long term care insurance”

Anthes & Lee

September 2001

Journal of Financial Planning

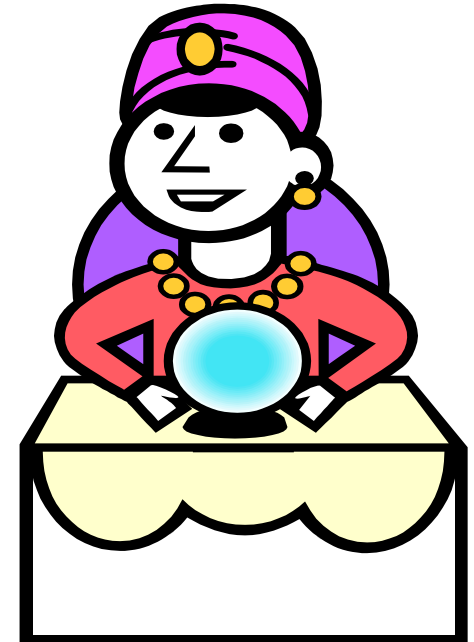
Health Care Sub-markets

- Acute Care:
 - Hospital
- Sub-Acute Care:
 - Out-Patient
 - Home and Community Based Care
 - Nursing Home
- Long-Term Care:
 - Home and Community Based Care
 - Nursing Home



Caveat Emptor - "Average" Health Care Expense Statistics

- Wide confidence intervals
- National population based statistics:
 - Law of Large Numbers
- Each client is a Case Study of 1





Health Care Inflation

- 2 – 4 times higher than general inflation rates
- Medicare B projects 10% annual out-of-pocket premium ↑ annually
 - 17% ↑ in 2005



Cost Variation by Region

- “Average” Nursing Home cost FY2001¹:
 - Alaska - \$448
 - New York - \$247
 - California - \$166
 - Louisiana - \$99
- Labor costs vary across regions
- Practice patterns wide variation

¹GE Financial, Long Term Care Division, 2002.



Annual Out-of Pocket Health Care Expenses

- Health Care Insurance Premiums
- Co-Insurance Premiums
- Professional Services Co-payments
- Non-covered Out-of-Pocket services:
 - Dental
 - Eyewear
 - Complementary Health Care
- Pharmaceuticals:
 - Co-Payments
 - Over The Counter
 - Non-covered
- Long Term Care
 - Out of pocket

Out-of-Pocket Health Care Cost \leq 65 yr. in FY 2000



■ **\$6,140**
per person
annually

From: US DHHS AHRQ MEPS Chartbook #13, 2004.



Average Health Care Expenses ≥ 65 yrs in 2000

<i>Type of Health Care</i>	<i>Annual Expense</i>
Ambulatory Care	\$1,687
Prescription Drugs	\$1,074
Dental Care	\$543

From: US DHHS AHRQ MEPS Chartbook #13, 2004.



Interesting Stats

- 1/2 of 50 yr. olds will need LTC in their life time
- 40% of LTC is used by 18 – 65 yr. olds
- 21% of baby boomers have no children
- 64% of family care givers are employed – most full time
- Women 40% more likely to need home care

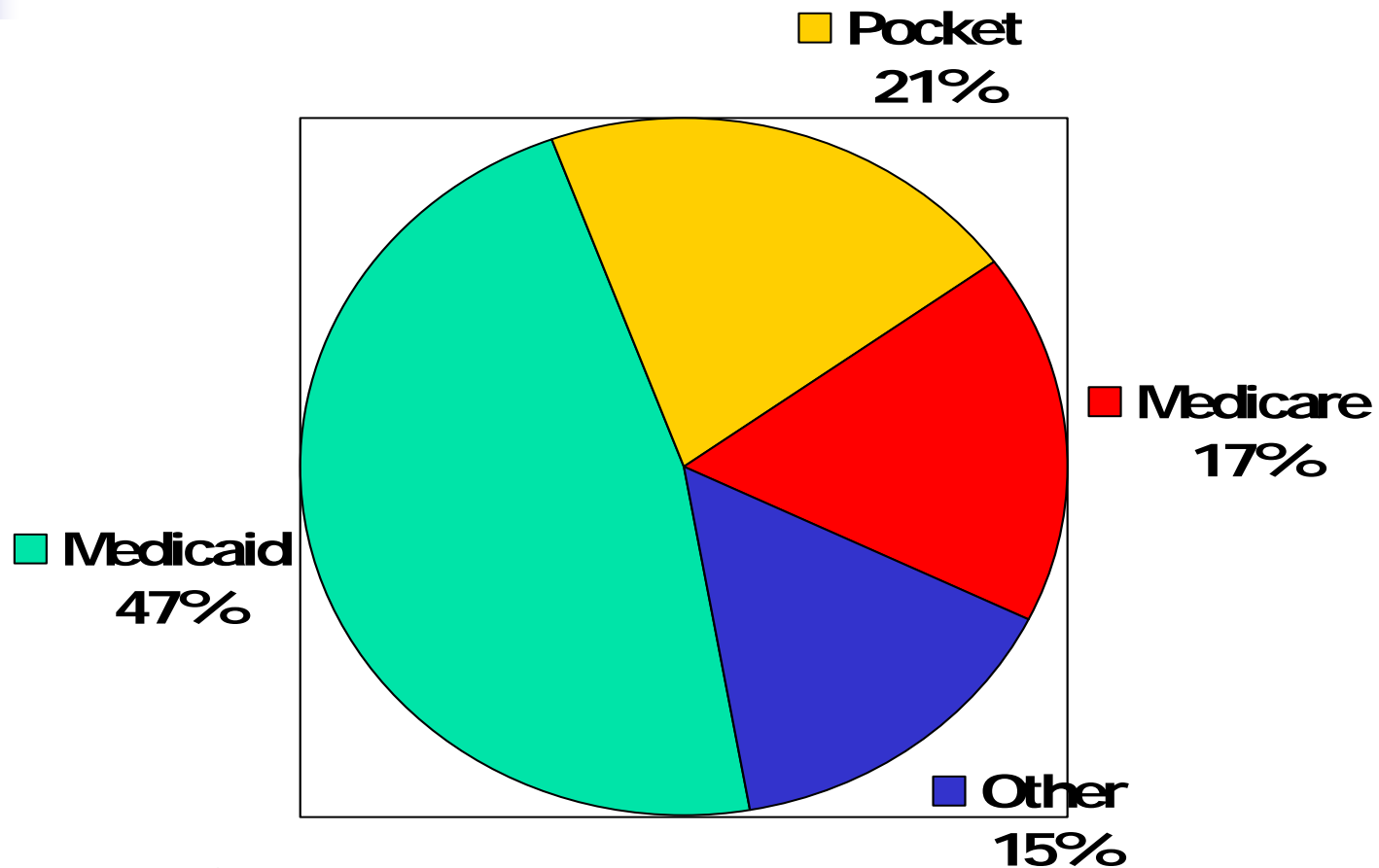


What is Long-Term Care?

- Supportive care:
 - Activities of Daily Living (ADLs)
 - Instrumental Activities of Daily Living (IADLs)
- Assistance is provided by:
 - Informal (unpaid) Family caregivers
 - Formal (paid)
 - Home and Community Based Care
 - Nursing Home Care

Who Pays for Long-Term Care?

\$179.6 billion in FY 2003



Activities of Daily Living – ADLs



- Bathing
- Eating
- Continenence
- Toileting
- Dressing
- Transferring



Instrumental Activities of Daily Living – IADLs

- Food Preparation

- Shopping

- Managing Finances

- Using Telephone

- Organizing Health Care Appointments



Role of Informal Support

➤ ***Who are they?***

- Family, Friends, Neighbors, Volunteers

➤ ***What can they do?***

- Able, Available & Willing

➤ ***Why are they important?***

- Critical in Care Planning
- Health Care Policy Issues

Home & Community Based LTC Care



- Types of Agencies:
 - Licensed
 - Medicare Certified
- Nurse Visits periodically
- Home Care Aide (HHA) visits
- Private duty LPNs and RNs
- Durable Medical Equipment and Supplies

The Special Case of Home Care

- “There’s no place like home!”
 - Dorothy, The Wizard of Oz
- Requires more “Case Management”
- Minimal Care Plan:
 - Nurses Aide 4hrs/d * \$20 = \$80
 - Other expenses \$50/d = 50
 - Total = \$130
- Extensive home care costs > \$250,000 annually



LTC Insurance Sources

<i>Insurance</i>	<i>Criteria</i>
Medicare	\geq 65 yr. & in Social Security < 65 yr. serious medical disability
Medicaid	Financial means test
Veterans Admin. (VA) TRICARE	Veterans, family members, including survivors Medicare eligible
Private Insurance	Carrier determined



Medicare FY 2005 Out-Of-Pocket Costs

<i>"Part"</i>	<i>Coverage</i>	<i>Cost to Subscriber</i>
Part A	Hospital Home Care	\$912 deductible \$0 deductible
Part B	Outpatient	\$866 premium \$110 deductible
SNF Rehab	21-100 days	≤ \$114/ day



Future Medicare Changes

- Part B premium - 10% ↑ annually
 - Actual 17% ↑ for FY 2004
- Medicare “Advantage”
 - Managed Care Plans
 - Will see ↑ attention:
 - May have ↑ benefits for subscribers
- “Part D”
 - Prescription Drug Coverage 1/1/2006



References & Resources

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- Medicare website: www.medicare.gov
- National Elder Care Locator: www.eldercare.gov
- TRICARE for Life: www.tricare.osd.mil



Speaker Biography

- Dr. Kathryn Votava is the President of GoodCare.com, a research, consulting and training firm. She is also a Professor and Economic Evaluation Specialist at the University of Rochester School of Nursing. Dr. Votava holds a PhD in Health Economics and Nursing from the University of Rochester. She completed a Pre-doctoral Fellowship in Community and Preventive Medicine at the University of Rochester School of Medicine and a Post-doctoral Fellowship in Homecare at Harvard Medical School. In addition, she has a Master of Science as a Nurse Practitioner from the University of Rochester and a Bachelor's degree in Nursing from Georgetown University.
- Dr. Votava is an experienced long term care Nurse Practitioner, administrator, and researcher. She is an expert in health care reimbursement, including Medicare and Medicaid. A major focus of Dr. Votava's research is the effect of the new Medicare Homecare payment method on seniors' health outcomes, cost benefit and quality outcome analysis. Dr. Votava has also concentrated her research on the application of telehealth and internet based health care solutions in home and community based care. She has published and spoken widely on these topics.



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